

## A Golden Chance for the Party

The 10th National Congress of the Communist Party of Vietnam

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Economic reforms during the past 20 years have brought high growth rates and modest prosperity to Vietnam. However, the limitations of those reforms are becoming more and more apparent. The 10th National Congress of the Communist Party of Vietnam (CPV), held in Hanoi from April 18 to 25, was therefore expected to deliver strategies and perspectives which could be used to overcome the challenges of the reform process. Whilst the Party Congress did produce some changes to a few key leadership positions, programmatically it fell back on old positions which fall short of answering the country's present societal and economic dynamics.

From the viewpoint of the CPV, Party Congresses are milestones in the political, economic and social development of the entire nation. The preparation and lavish arrangements of these events, supported by enormous propaganda campaigns, play an important role that is not seriously questioned at home or abroad. The 10th Party Congress of the CPV in April this year was no exception; it likewise captured the attention of both the Vietnamese and international media like few other events in the country.

The media coverage centred on new political leaders chosen by the Party Congress. In the CPV, a party still organized according to the principles of "Democratic Centralism", the General Secretary holds the most important leadership position. The incumbent Nong Duc Manh (65) was elected to this post in 2001 as a compromise candidate and has failed to make his presence

felt, let alone was he seen to introduce new and groundbreaking initiatives during the past five years. In the lead up to the Party Congress, some internal discussions arose as to whether he should continue as General Secretary. According to unofficial reports, he barely defeated Ho Chi Minh City's Party leader Nguyen Minh Triet in a straw-poll. However, he received 97% of the official votes, a result more fitting of his high rank.

In the spring of this year, President Tran Duc Luong (68) and Prime Minister Phan Van Khai (72) had already announced their resignations for reasons of age. Without further ado, the Central Committee nominated Phan Van Khai's deputy, Nguyen Tan Dung (56), for Prime Minister and the above-mentioned Nguyen Minh Triet (64) for President. Given that both Dung and Triet come from the south, while Manh

belongs to the Tay ethnic group of the north, these nominations infringed on the long-standing, carefully preserved proportionality, pursuant to which these three leadership positions have been filled by representatives from north, central and south Vietnam. In the new Politburo, the south, with six representatives was again given a somewhat stronger hand. The Politburo had previously been increased from 9 to 14 seats, which will now be occupied by 8 new and 6 old members.

The vote for the new Central Committee caused some sensation. For the first time in the history of the CPV the 1178 delegates were able to elect the new members of the Central Committee by secret ballot, choosing 160 from a list of 207 candidates. It created quite a stir when two delegates made use of their right, as provided for in the Party statutes, to put themselves forward as candidates, likewise when more than 30 applicants were nominated by the Party Congress delegates, not the Party leadership. However, none of these additional nominees were elected and only a few came close to the required 64% of the vote.

While two-thirds of the old members of the Politburo kept their positions, the composition of the Central Committee changed more dramatically. There were 73 new additions to the Central Committee, representing almost half of the 160 seats. Moreover, the average age decreased by almost 5 years. However, greater representation of women, one of the priorities set by the CPV, was not achieved. The Politburo has yet to welcome its first female member, and there are only 12 women in the Central Committee, a mere 7.5%.

In contrast, the military and the civil security services were able to significantly solidify their positions. Minister for State Security Le Hong Anh moved up to the number 2 position in the Politburo and is now the most important person in the Party hierarchy after the General Secretary. The new Central Committee has 18 generals (previously 14) and 7 members from the civil security services (previously 5),

while the Foreign Ministry is represented by only one Central Committee member. Although the Party leadership has consistently acknowledged the need for rapid economic development as a high priority in its announcements, representatives of the state-run economic sector were not able to increase their share of the votes in the Central Committee.

### **Programmatic Statements**

The Party Congress left no doubt about the CPV's determination to continue on its path of renewal. It proclaims to double the GDP of 2001 by 2010 and to transform Vietnam into a modern industrial nation by 2020. This is only thought to be achievable if all resources are mobilized, bureaucracy is reduced, education is improved and a concerted effort is made to effectively tackle the persistent poverty. The consistent, continued development of "socialist-oriented market economy" is seen as an indispensable prerequisite in securing prosperity for the entire nation. In this context, Party members already owning businesses are now officially permitted to work as private entrepreneurs. Conversely, private businessmen are still not permitted to become Party-members. The decision on that matter has been indefinitely postponed.

Undoubtedly the most hotly discussed topic of the Party Congress was the fight against rampant corruption and the embezzlement of state property. The topical motive for this debate was a scandal in the Ministry of Transport that was covered extensively by the Vietnamese media. Several officials of one of the Ministry's department were found guilty of embezzling foreign aid funds in the order of approximately US\$7 million to place bets on European football matches.

Consequently, General Secretary Manh, in his opening speech, highlighted corruption as "one of the greatest threats to the existence of our system." Several other speakers also discussed the issue, but failed to provide a detailed analysis of the root

causes of the problem or to offer adequate strategies to combat it. The Party leader himself, in his closing speech, simply reiterated the phrasing of the Central Committee's report to the Party Congress. According to this document, corruption stems from a range of objective and subjective causes, of which the latter are regarded as being much more significant. From this rudimentary analysis, it was concluded that the political education of the cadres must be intensified and the Party's leadership be strengthened at every level.

Finally, the Party Congress firmly reiterated the CPV's monopoly on power and categorically rejected all demands for political pluralism. Old propaganda slogans such as "struggle against peaceful evolution", which had almost been forgotten, were put into play again in order to demonstrate the Party's absolute claim to leadership.

However, the statements and documents of the Party Congress reflect a lack of leadership. Although in analyzing the years since the last Congress the Political Report not only boasted successes but listed failures as well, those accomplishments and drawbacks were simply enumerated side by side, without being connected, qualified or quantified in greater detail. While successes were attributed mainly to the wise leadership of the Party, failures were blamed on personal weaknesses of the cadres and inadequate management on the lower levels. The Party Congress documents do not contain any specific strategies which could help meet the demand for an acceleration of reform policy, to overcome the obstacles to development, and thereby demonstrate the Party's ability for active leadership.

### **The Public Debate**

The very general programmatic statements and the return to worn-out propaganda slogans contrast significantly with the discussions that have taken place for some time on both the international level and in Vietnam itself. In addition to some newspapers published in Vietnam, *VietNamNet*, a

locally-organized internet forum, has developed into what is probably the most important communication medium for the sometimes heated discussions about the current situation and the future of the country.

### **Corruption**

There is little disagreement, both within and outside of the Party, about the scale and destructive power of corruption. According to an empirical study commissioned by the Central Committee of the CPV, 60% of the people surveyed stated that they paid bribes for public services at some point, and 30% admitted that they would be willing to accept bribes. Several severe cases of embezzlement of state funds, such as the scandal in the Ministry of Transport, which after unsuccessful attempts of suppression through massive bribes to the investigating authorities, were discovered by courageous journalists, contributed to an increase in public outrage over the crimes that affect the everyday lives of most Vietnamese citizens and siphon off a not insignificant portion of family incomes.

Yet there are remarkable differences between official Party statements and the increasingly public debates as to how this problem should be dealt with. Whereas the Party's leadership still relies on its self-cleansing forces and its ability to improve its means of administration, as evidenced by the passing of the Anti-corruption Law at the end of 2005, more and more critical voices in the Vietnamese media call for a fundamental change of the political system as the only way to effectively take on this "social evil." This, they find, is inevitable, because the Party—according to the legendary war hero General Giap—has become a shield for corrupt cadres and is therefore an unsuitable instrument in the fight against corruption.

### **Changes in the Political System**

Some very far-reaching demands raised on *VietNamNet* questioned the basis for the cur-

rent political system, demanding political pluralism and the deletion of Article 4 of the Vietnamese Constitution, which codifies the leadership role of the CPV in politics and civil society. Most participants of the discussion, however, found such fundamental demands to be counterproductive, given that they will merely provoke a self-defence reflex from the CPV and offer no solutions to the most urgent problems.

In reality, the ideas of the seemingly more level-headed critics are almost as radical. Le Dang Doanh, for example, a long-time high ranking government adviser and UNDP official, stated that it will be difficult to put an end to corruption without changes to the system, greater transparency, the separation of powers, a responsible and independent press, and better means for the people to express their concerns. In these and other contributions, the stated goal is a political system in which the Party and the state redefine their roles and consider the society and the economy as equal partners. This also implies that one does not ignore the existing conflicts, but recognizes them and attempts to resolve them at an early stage and without violence. Support for such views even extends to Le Ka Phieu, former General Secretary of the CPV, not exactly known as a reformer during his term of office. Even though he did not fundamentally question the one-party system, he did speak of the “Party-ization disease”, thereby criticizing the desire of the Party to control anything and everything. Twenty years ago, the renewal commenced in the economic field, now—according to Le Ka Phieu—the time has come for democratic renewal.

Several representatives in the National Assembly, which convened in the wake of the Party Congress, also asked for greater independence from the Party for state institutions. To achieving this goal, an improvement in the efficiency of the state machinery is seen as a principal prerequisite. Although a fundamental reform of the public administration was already decided as early as 1995, the structures are still very frag-

mented. Fault was again found with the fact that the public authorities communicate too little with each other, regional and local administrations ignore instructions from the central government and act at their own discretion or according to personal interests, often in collaboration with the corresponding Party bodies, which have much greater authority than the relevant state agencies.

A clear assignment of the competencies, responsibilities and procedures cannot take place through a reform of administrative structures alone. Such reform would furthermore have to create transparency and enable a scrutiny of governmental power on various levels. The disclosure of the official budget is an important step in this direction. The inhabitants of numerous municipalities at least managed to obtain the right to view the accounts for the income and expenses of their local authorities/communes. Information about the allocation of funds from the province or the central government is however still treated as a “state secret.”

But streamlining and improving transparency of leadership structures is not the only concern. The concentration of state power on its legitimate tasks is also vital. In addition to guaranteeing external and internal security, those also include the allocation of public goods such as the rule of law, social welfare and education, as well as the protection of natural resources. The capacities of the Vietnamese state fall far short of what is necessary to perform all of these fundamental tasks. Therefore, non-governmental organizations and other non-state actors such as religious communities have for quite a while been taking care of those groups of people who did not or hardly benefited from economic growth. Non-state actors are increasingly taking responsibility for education and medical care as well.

The Party and the state tolerate these activities, and cooperation between public and private agencies is not restricted to local levels. Nevertheless, there is still no

binding legal framework and no official recognition of these private civil society activities as a valuable contribution to the development of the country. Rather, the Party and the state still reserve all of the control and decision-making power for themselves, but leave the implementation to interested citizens without providing them with adequate financial support.

### **Socialist-oriented Market Economy**

Since the beginning of the reforms, the Party legitimizes its rule by a flourishing economy, which has the second highest growth rate in East Asia after China. The CPV points to this success as proof that its concept of a “socialist-oriented market economy” can and should continue without any fundamental changes.

This view is running into mounting skepticism both within and outside Vietnam. Critics point to the fact that Vietnamese growth has been achieved primarily by increasing inputs. The profits from oil exports, transfers from Vietnamese living abroad, foreign direct investment and foreign aid amount to more than 25% of GDP. If these funds were put into use according to strict economic criteria, the growth rates would be around 2% higher than the actual 7% to 8%.

In actuality, a considerable share of the inputs is still going towards gigantic state projects such as the shipbuilder Vinashinh, whose production costs are well above world market prices. The same can be said of steel mills or the refinery currently being built in central Vietnam. These state-controlled enterprises bestow on the responsible cadres an abundance of power, which they will defend with corresponding tenacity.

The means used for these ineffective projects are desperately needed in other fields. Approximately 40% of industrial production is generated by the private economic sector which creates far more new jobs than state owned enterprises. In fact, the private sector is composed of

numerous small companies, which rarely have more than 50 or 60 employees. The necessity to increase production in quantity as well as in quality is hindered by a lack of affordable loans and land, as well as a shortage of facilities to engage in research and development. The latter is even more difficult because state-run research and training is chronically underfinanced. In the last ten years, while the number of students has increased ten-fold, the number of teachers has merely doubled.

### **WTO Accession**

As long as the state possesses huge financial and administrative resources, these shortcomings can hardly tarnish the shining image of a flourishing economy. Vietnamese and international economists agree that the accession of Vietnam to the WTO, which is envisioned for October of this year, will eliminate a wide range of existing rules and regulations. Whilst access to the WTO will facilitate Vietnam’s exports, the country will also be confronted with a variety of serious challenges.

Highly-subsidized state run enterprises will not be allowed to survive if Vietnam wants to be recognized as a “market economy.” Cheap agricultural imports will only further jeopardize the already precarious situation of Vietnamese agriculture, and export-based industries can only be successful in the long run if they are able to manufacture higher value-added products. Low labour costs alone will not help Vietnam to compete regionally. In light of the increasing costs of living, several foreign and joint venture companies were faced with mass strikes which could only be resolved through a 20% salary increase.

The government will therefore have to invest considerable funds not only in education and research, but also in the development of a basic social security system. The leadership in Hanoi can be rightfully proud of cutting the poverty rate by more than half in the last ten years. However, in the long term, providing the needy with basic

care will not be enough—these families will have to be integrated into the society through work and income as well.

Finally, the state has to redefine its role towards society and the economy. Rather than being an actor in the economy who, due to its material and political resources, is not subject to the “laws” of a market economy the state will have to make a better effort to improve the general framework for a market economy. This includes providing for reliable legal relationships as well as a banking system that grants loans on the basis of commercial rather than political criteria. WTO accession undoubtedly offers Vietnam great opportunities, which can only be used successfully if it adequately prepares for the negative consequences and develops coordinated strategies to overcome them.

### **A Change in Course?**

The entire leadership group nominated by the Party Congress and formally elected at the subsequent National Assembly meeting, and the president and prime minister in particular, was warmly received with approval and premature praise in the Vietnamese government press as well as in many western media outlets. According to the predominant tone of the press coverage, the relatively young leading figures are expected to accelerate the reform process, overcome the present deficiencies and lead the fight against corruption much more decisively than their predecessors.

The new president Nguyen Minh Triet, who as Party Chief of Ho Chi Minh City uncovered and brought down a gigantic criminal syndicate in 2003, is pointed to as the main evidence in support of this thesis. Triet is hailed as an example because, even as it became clearer during the course of the investigation that not only high but also the highest ranking cadres were involved in the criminal activity, Triet did not waver; instead he dedicated himself to the conviction of mafia boss Nam Cam and his accomplices. Obviously, Triet was well

aware that organized crime, which penetrates even the highest levels of the Party, represents a deadly threat to the regime.

With all due respect for Triet’s work, the case against Nam Cam has remained an isolated act that did not lead to a noticeable reduction in the extent of daily corruption in Ho Chi Minh City. The trial against the mafia boss probably cost Triet many supporters within the Party, since some classified information about the crimes committed by high-ranking cadres was made public during the process. Consequently, he lost the internal vote for General Secretary of the CPV to the then office holder Nong Duc Manh. As president, Nguyen Minh Triet holds a high formal rank, but his de facto power is significantly less than his former post as a Party leader of the Vietnam’s most flourishing metropolis.

At 56, Prime Minister Nguyen Tan Dung is almost as young as Ho Chi Minh was when he proclaimed the “Democratic Republic of Vietnam” in early September of 1945. Unlike Ho Chi Minh, however, Dung has not spent previous decades abroad gaining international experience. Dung is much more a man who has made his career in the Party and the Security Apparatus. He was, among other things, chairman of the commission responsible for the giant state projects whose economic viability is more than doubtful. As a close associate of former Prime Minister Phan Van Khai, the new office holder is most certainly well aware of all the ongoing problems, but as yet has not come forward with any innovative suggestions for solving them.

Even if assuming that both politicians are courageous reformers, who will not shy away from unconventional methods, it should not be forgotten that the future of Vietnam is not exclusively decided at the top—policies can only be implemented with the support of the Party and state machinery, which in the era of reforms has become less a motor for development than something driven by it, and has been more hesitant than creative with respect to innovative initiatives.

General Giap, in a recent interview, blamed the overflowing bureaucracy for the “paralysis of the Party.” Meanwhile there is reason to assume that this “paralysis” is due to a lack of consensus on the future course of the Party. Due to its Leninist self-image and the related dogma of the monolithic decision-making of the Party, this dissent cannot be creatively utilized to develop a new strategy in a public debate. Instead, it is much more important to perpetuate the fiction of the Party unity at any price. This can only occur, however, if one uses the lowest common denominator as the ideological basis and postpones decisions rather than makes them.

### **Paralyzed Party in a Dynamic Society**

How will this paralysis of the state machinery affect further development? Fundamentally, there are two views on this topic. The first assumes that the economy and society will change at a rapid pace and the obstacles of the political system will simply be bypassed. “The Party has its dogma, we have our ways and means”, is one saying in Vietnam, which summarizes this point of view. Furthermore, it is often pointed out that the early stages of the reform process started with more or less spontaneous actions at the base which set an example and were quickly followed. Finally, the Party had to—like it or not—give its approval to this development, which it could not stop in the absence of a viable alternative.

Following this logic, the Party apparatus will lose its importance over the long term and ultimately become only mere facade of a political system rooted in private economy, which will automatically bring about the corresponding political changes. The general enthusiasm with which Bill Gates was welcomed like a pop star in Hanoi at the end of April, compared to the rather moderate public interest in the Party Congress, clearly proves the point in support of this thesis.

However, this view does not have much support in the academic discussions about

Vietnam. Most experts assume that there are fundamental differences between the first and the upcoming second phase of reform policy. The 1980s and 1990s were marked in particular by the tearing down of administrative obstacles in order to give private economic actors greater room to operate. But the present phase will be focused on creating structures and institutions with which new challenges can be overcome. The priorities of this phase include the development of an independent judiciary, the financing of the government budget through a tax system which can be understood and scrutinized, the development of possibilities for supervision of political power, and last not least the training of experts who can successfully defend Vietnam’s economic interests on an international level, e.g. in the WTO. As a matter of interest, all of these are fields in which both German and European development cooperation has produced remarkable results.

Some foundations for these forward-looking institutions have already been laid. They can be seen in various parts of the political-administrative system which, however, seems to be more focused on the immediate securing of power rather than on finding long-term solutions to the country’s problems. In order to prevent the above-mentioned approaches to reform from remaining isolated solutions or ending up going nowhere, the support of the Party and government is essential. It should be their responsibility to support and systematize these initiatives instead of merely passing laws and statutory instruments, and also to create transparent and efficient structures on the political as well as administrative levels and.

In the multi-faceted discussions held in the lead-up to the Party Congress there was continuous talk of a “golden chance”, which the Party should now capitalize upon. It was repeatedly pointed out that Vietnam has already had to pay a high price because decisions—as in the case of the bilateral trade agreement with the U.S.—were

made much too late. The 10th Party Congress has, for the moment, obviously wasted its “golden chance”.

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ISSN 1861-1761